Tech Giants Band Together to Buy and Sell Patents, But Not for Profit

About eight years ago, Nathan Myhrvold, a former Microsoft exec started Intellectual Ventures, a company that amasses patents that it can then license. Several tech giants, including Nokia, Intel, Apple and Sony, invest money in the holding company’s war chest.

Now, several big tech companies are banding together in a slightly different patent-related venture. As the WSJ’s Amol Sharma reports, Verizon, Google and Cisco are among a group of companies joining up to defend themselves against patent-infringement suits by buying up patents before the so-called patent trolls get their hands on them.

Here’s how it works: The venture, called Allied Security Trust, buys patents that others might use to bring infringement claims against its members. Member companies will pay roughly $250,000 to join the group and will each put about $5 million into escrow with the organization, to go toward future patent purchases. (Before you scream “antitrust!”, the groups CEO, Brian Hinman, a former VP of intellectual property and licensing at IBM, says the group doesn’t face any antitrust issues because it isn’t a profit-making venture and its members don’t actually own patents — they just grant themselves a license to them.)

To head off concerns that the group will use litigation as a strategy, Allied Security Trust will sell the patents they acquire after they’ve granted themselves a nonexclusive license to the underlying technology. “It will never be an enforcement vehicle,” said Hinman. “It isn’t the intent of the companies to make money on the transactions.”